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November 14, 2018

Supt. Rich Dahman
Independent School District No. 861
903 Gilmore Ave.
Winona, MN 55987

Via Email

RE: *Sale of Madison School*
Our File No. 0861-0119

Dear Supt. Dahman:

I am writing to update you on an issue that recently arose with respect to the sale of the Madison School. Last Friday, while our office was closed for our annual seminar, I received an e-mail from Guaranty Commercial Title, Inc. with an attached title commitment for the Madison School property. The commitment was ordered by the buyer, Andrew Brenner. I reviewed the commitment on Monday and learned that a 2007 "Grant Agreement End Grant" under the "Minnesota Department of Human Services Early Childhood Learning and Child Protection Facilities Program" was recorded against the property in 2010. This Grant Agreement provided the District with a \$39,950 grant to renovate classrooms in Madison for the Maxwell Children's Center, which was operated by Winona State University.

Under the terms of the Grant Agreement, the building can be sold with permission from the Department of Finance (now Minnesota Management and Budget) provided certain criteria are met. I am working with the State on those criteria and do not expect any issues at this point. The Grant Agreement further states, however, that upon sale, the State shall be reimbursed the amount of its grant. I contacted MMB and verified that the State must, in fact, be reimbursed the grant funds. The only time the State does not require reimbursement is if the funded facilities were used for 25 years or more after the grant was issued.

State officials indicated that the reimbursement can be paid out of the settlement at closing, meaning it will be deducted from the sale proceeds and paid directly to the State by the closing agent. No check from the District is needed.

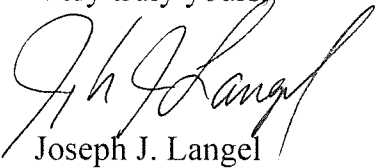


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This is an unfortunate development this late in the sale process, but the outcome is unavoidable. I have seen such grant agreements in other sales of school buildings and in my experience, district staff is usually unaware that a grant agreement was recorded against the property years ago, much less that it contains a reimbursement provision. These agreements are usually only discovered during a title search, as was the case here.

Because the reimbursement can be handled in the closing process, no action by the District is necessary, but I wanted to make sure the District is aware of its payment obligations under the Grant Agreement. Let me know if you have any questions.

Very truly yours,



Joseph J. Langel

RRM: 308997